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Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SP-02 ICA-20 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 H-02
CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 XMB-04
OPIC-06 LAB-04 SIL-01 AGRE-00 PA-02 /112 W
----------109315 131137Z /10
R 121352Z APR 78
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 8855
INFO AMEMBASSY BUENOS AIRES
AMEMBASSY BRASILIA
AMCONSULATE SAO PAULO
AMEMBASSY LA PAZ
AMEMBASSY LIMA

UNCLAS SANTIAGO 2695

EO 11652: NA
TAGS: EFIN, AFIN, ALOW, CI
SUBJ: MARCH INFLATION

1. THE CHILEAN CONSUMER PRICE INDEX (CPI) ROSE 2.9 PERCENT IN MARCH. INFLATION THUS FAR DURING 1978 TOTALS 7.3 PERCENT.

2. INCREASES BY MAJOR SPENDING CATEGORIES WERE: FOOD 2.3 PERCENT, HOUSING 4.7, CLOTHING 2.7 AND MISCELLANEOUS 3.2 PERCENT. THESE PERCENTAGES WEIGHTED ACCORDING TO THE LATEST SURVEY OF CONSUMER HABITS RESULT IN THE FOLLOWING DISTRIBUTION OF THE OVERALL 2.9 PERCENT INFLATION RATE: FOOD 1.2 PERCENTAGE POINTS, HOUSING 0.6, CLOTHING 0.5 AND MISCELLANEOUS 0.6.

3. INFLATION OVER 12-MONTH PERIOD NOW STANDS AT 47.5 PERCENT. A LINEAR TREND STARTING FROM APRIL 1977 THROUGH MARCH 1978 INDICATES THAT INFLATION DURING 1978 COULD BE 33.6 PERCENT.

4. MONEY SUPPLY (M1): IN NOMINAL TERMS, M1 INCREASED BY 13.6
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PERCENT, RESULTING IN A REAL GROWTH OF 10.4 PERCENT AFTER DISCOUNTING BY INTERNAL INFLATION. THE HIGH LEVEL OF INTEREST RATES REGISTERED IN LATE 1977 REFLECTED AN INCREASE IN THE DEMAND FOR MONEY EXCEEDING THE MONEY SUPPLY AS A CONSEQUENCE OF HIGHER LEVELS OF ECONOMIC ACTIVITY. IN ORDER NOT TO LIMIT ECONOMIC GROWTH THE MONETARY AUTHORITY DECIDED TO INCREASE LIQUIDITY. A GROWTH OF 10.4 PERCENT IN THE REAL MONEY SUPPLY, HOWEVER, TENDS TO ENDANGER THE SUCCESS

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OF THE STABLILIZATION PROCESS BY STIMULATING INFLATIONARY EXPECTA-
TIONS. THESE HAVE BEEN SUCCESSFULLY UNDER CONTROL SINCE THE
ANNOUNCEMEMT IN EARLY FEBRUARY 1978 OF FIXED EXCHANGE RATES TRHOUGH
THE END OF THE YEAR.

5. IMPORT REGISTRATION. IMPORTS IN MARCH WERE $ 173 MILLION. THE
FIGURE FOR THE 1ST QUARTER AMOUNTS TO $434 MILLION REPRESENTING
A 9 PERCENT INCREASE OVER THE SAME PERIOD LAST YEAR.
LANDAU

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NNN

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Draft Date: 12 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
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Disposition Approved on Date:
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Disposition Comment:
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Disposition Event:
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Disposition Reason:
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Subject: MARCH INFLATION
TAGS: EFIN, AFIN, ALOW, CI
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Type: TE
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